

Message Text

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47

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 FEAE-00 PA-04 PRS-01 USIA-15 TAR-02 DRC-01

SCI-06 SAJ-01 /172 W

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R 061450Z AUG 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 0189

INFO AMCONSUL ZAGREB

UNCLAS BELGRADE 3876

E.O. 11652: N/A

TAGS: ECON, EIND, YO

SUBJECT: AUTO SALES DECLINE

1. CRVERA ZASTAVA'S SALES NEW CARS, SLACK ALL YEAR, HAVE ALMOST STOPPED IN JULY. ACCORDING TO NEWS ACCOUNT KRAGUJEVAC HEADQUARTERS IS SELLING ONLY 2 - 3 CARS A DAY COMPARED WITH 200 A DAY LAST YEAR AT THIS TIME.

2. NEW CAR PRODUCTION WAS UP 29 PERCENT IN FIRST HALF 1974, BUT SLUGGISH SALES HAVE RESULTED IN INVENTORY ACCUMULATIONS 20 - 25,000 UNSOLD CARS IN KRAGUJEVAC.

3. ZASTAVA REPRESENTATIVES CITE SEVERE SHORTAGE FUNDS TO FINANCE SALES AND RISING PRODUCTION COSTS (ENERGY AND RAW MATERIALS) AS MAJOR CAUSES COMPANY'S PROBLEMS.

4. FEDERAL AUTHORITIES HAVE AUTHORIZED CHANGE IN TAX BASE AUG. 1 AND AS RESULT PRICES MOST MODELS DECREASED 2 - 6 PERCENT BUT ZASTAVA REPRESENTATIVES (SUPPORTED BY SERBIAN EXECUTIVE COUNCIL) HAVE ASKED FEDERAL AUTHORITIES TO AUTHORIZE FURTHER MEASURES TO

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ASSIST INDUSTRY, INCLUDING: REDUCTION CUSTOMS DUTIES ON CERTAIN

IMPORTS USED IN AUTO PRODUCTION, RESTRICTIONS ON AUTO IMPORTS,
LOWER TAXES, MAINTENANCE STABLE GASOLINE PRICES.

5. COMMENT: UNLESS SUDDEN UPTURN IN SALES OCCURS YUGOSLAV
AUTHORITIES MAY BE FACED WITH SERIOUS PROBLEMS IN AUTO INDUSTRY
WHICH DIRECTLY EMPLOYS ABOUT 30,000 WORKERS AND, INDIRECTLY BETWEEN
150,000 AND 200,000. INDUSTRY WILL INCREASE PRESSURE FOR ADOPTION
MEASURES OUTLINED PARAGRAPH (4). ON GASOLINE PRICE POLICY
AUTHORITIES FACE DILEMMA: INDUSTRY FEELS INCREASE WOULD FURTHER
INHIBIT SALES; ON OTHER HAND, GROWTH OF DEMAND FOR OIL PRODUCTS
IS HURTING BALANCE OF PAYMENTS.
TOON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, AUTOMOTIVE INDUSTRY, AUTOMOBILES, BUSINESS LOSSES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BELGRA03876
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740214-0687
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740872/aaaacjss.tel
Line Count: 73
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUN 2002 by reddocgw>; APPROVED <22 JAN 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUTO SALES DECLINE
TAGS: ECON, EIND, YO, CRVERA ZASTAVA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005